



UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT

OFFICE OF THE AID REPRESENTATIVE

American Embassy  
Islamabad, Pakistan

PRO 7  
March 2, 1988

ACTION MEMORANDUM FOR THE ACTING A.I.D. REPRESENTATIVE

From: Val R. Mahan, Special Projects Officer *VRM*

PROBLEM

To execute (a) an Authorization Amendment of the Commodity Export Program (CEP), 306-0205, adding \$5.5 million for a new life of project level of \$30 million and (b) a waiver of competition and CBD notice for an amendment adding \$9,540,000 to contract No. 306-0205-C-00-6011-00 with the American Manufacturers Export Group (AMEG).

DISCUSSION

A. Commodity Export Program Project, 306-0205

The initial Activity of Approval Memorandum (AAM) for the Commodity Export Program proposed a program funding level of \$47,500,000. However, a review by this office of anticipated budget levels and competing demands for funds resulted in our recommendation to the Assistant Administrator for a Project Authorization of US \$24,500,000. The activity was accordingly authorized at that level. A contract then was entered into with AMEG at a level of \$23,960,000.

It since has become apparent that greater program activity levels than were originally envisioned are and should be carried out under this project. By the close of FY 1987, the following obligations and/or commitments have been made against the authorized levels:

- a. Overall AMEG contract - \$19,931,000 (Note that this figure includes funding of \$1,071,000 provided under the DOD Afghan Humanitarian Relief Project - 306-0206).
- b. Commodity procurement line item - \$15,464,330 (of the \$15,464,330 in project funds allocated for commodity procurement, only about \$300,000 remains available).

The project was substantially without funds as of the end of FY 1987. We budgeted \$15.2 million for the project in FY 1988, of which we already obligated \$5,000,000 into the AMEG contract. At this time the project is again in need of funding. An assessment of performance to date and projected requirements supports the immediate need for an Authorization Amendment of \$5,500,000 to a total authorized life of project funding of \$30,000,000 to permit the further obligation of FY 1988 funds.

In our assessment AMEG has effectively utilized funds to date. There will, however, be a full project assessment/redesign analysis of this project this spring. It is expected that this project exercise will identify and correct the inadequacies in final projections under the original Authorization and better reflect the evolving operational characteristics of this project. While recognizing the need for a review of both the financial basis and operational changes in the project, we are of the opinion that there should be no relaxation of project activities or project momentum in anticipation of this project assessment/redesign. For program purposes, it is important that there is no delay in continued timely inputs of needed resources to support the project and its implementation through AMEG. Additional commodity procurements must be undertaken in the near future to fulfill project objectives and take advantage of the critical summer season.

88 State 012329 points out AID/Washington's concern regarding the level of dependency which the entire AID/REP program has on AMEG as the sole contractor of the CEP project and procurement agent for all AID/REP contractors. This dependency is of particular concern in view of current issues regarding the AMEG overhead rate. AID/Washington suggests the search for an alternative source of services. We share AID/Washington's concern regarding the level of dependency aspect. Our view is that consideration of alternative or complementary sources of service must be done in awareness of both the short-term and longer-term consequences of whatever action we might consider.

In the short-term, any major change in the organization of services would have drastic impacts on the implementation of the project. For reasons discussed below under limitations of Competition, and also because any re-organization of contract services would, by definition, introduce delays in the procurement plan for the CEP and other projects, any action affecting the AMEG contract over the next 4-5 months is not advisable. At the same time the planned assessment/redesign, scheduled to begin mid-March, will offer the opportunity to reflect upon the requirement for contract services in light of possibly changed program requirements stemming from new political realities affecting the project. In preparation for the arrival of the assessment/redesign team, we will prepare an option and issues paper regarding the procurement and logistics functions supporting the AID/REP portfolio.

Other than as set forth above, there are no significant policy issues to be addressed at this time.

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88 State 012329 (attached) provides AID/Washington's concurrence for your executing an interim amendment of the authorization to increase the project funding level from \$24.5 million to \$30 million prior to the formal assessment and redesign of the project.

Delegation of Authority No. 652 dated October 10, 1986, authorized you to amend Project Authorizations not to exceed a life of project amount of more than \$30 million when no significant policy issues are presented.

It is recommended that you approve an Authorization Amendment for the Commodity Export Project by \$5,500,000 to increase the project LOP to \$30 million. Other than as noted above, there are no significant issues to be addressed at this point.

B. LIMITATION OF COMPETITION - American Manufacturers Export Group Contract

In August of 1986, the Assistant Administrator for Asia and the Near East approved negotiation of a contract with the American Manufacturers Export Group (AMEG) for the implementation of this project on a non-competitive basis and without publication of a CBD synopsis. This waiver of competition for the procurement of technical services was granted under the authority of Section 904 of the International Security and Development Cooperation Act of 1985 and, inter alia, was based upon AMEG's familiarity with the project design requirements, institutional environment and significant comparative advantage in initiating early and effective implementation. The same considerations remain substantially valid. In addition, the contractor personnel's intimate understanding of program requirements and operating environment as well as their relationships with critical project counterparts would make changing of the contract both programmatically inadvisable and financially costly.

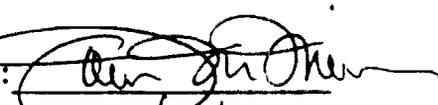
Were different cast of contract personnel to be introduced at this time, it would significantly set back project implementation, reduce project momentum and impair US Government interests and objectives.

In 88 State 013429, AID/W concurred in your use of Section 904 of the ISDA Act of 1985 and Continuing Resolution (FY 1988) to amend the AMEG contract on a non-competitive basis. It is to be noted that AID/W stated "they believe" that extension should be limited to an additional six months. The contract period now is through August 1989. There is no need to extend it until after the approved redesign has occurred.

We recommend that the contract funding level be increased to \$33,500,000 to permit the obligation of FY 1988 Commodity Export Project and Afghan Humanitarian Relief Project budgets.

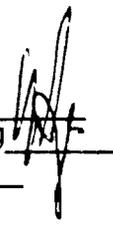
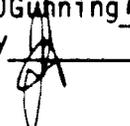
RECOMMENDATIONS

1. That you execute the attached Project Authorization Amendment increasing the life of project amount of the Commodity Export Program by \$5,500,000 to \$30,000,000; and
2. By your signature below, you exercise the authority under Section 904 of the ISDA (1985) and CR (1988) to approve a non-competitive contract amendment to AMEG from \$23,960,000 to \$33,500,000 and waive CBD notice.

APPROVED: 

DATE: 3/7/88

Clearances:

- RLA:SSpielman 
- AID/REP:JGunning 
- O/CC:JMay 



UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT

OFFICE OF THE AID REPRESENTATIVE

American Embassy  
Islamabad, Pakistan

ACTIVITY AUTHORIZATION

Name of Country: Afghanistan

Name of Activity: Commodity Export Program

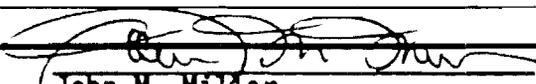
Number of Activity: 306-0205

Amendment #1

Pursuant to the provisions of the Foreign Assistance Act of 1961, as amended, the Commodity Export Program was authorized on August 8, 1986 with a life of project funding of not to exceed \$24.5 million in grant funds. This authorization is being amended to increase the life of project funding by \$5.5 to a new level of not to exceed \$30 million in grant funds, subject to the availability of funds in accordance with the AID/OYB allotment process, to assist in financing certain foreign exchange and local currency costs for the Project.

All other terms and conditions as provided for in the original Activity Authorization, except as hereby amended, shall remain in full force and effect.

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John M. Midler  
Acting A.I.D. Representative

3/7/88  
DATE

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CV: 02285  
CROG: AID  
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ADD:

AIDAC FOR AID REP

F.O. 12356: N/A  
TAGS: V/A  
SUBJECT: AFGHANISTAN: FUNDING AUTHORIZATIONS AND  
CONTRACT AMENDMENTS

REF: ISLAMABAD 26264

JAN 17 1988  
RECEIVED

*John - action*

**ACTION**  
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Date \_\_\_\_\_  
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1. AFB BUREAU CONCURS IN THE PROPOSED AMENDMENT OF THE PROJECT AUTHORIZATIONS TO INCREASE LIFE OF PROJECT FUNDING AND PERMIT FY 89 FUNDING AS DESCRIBED IN REF TPL; I.E., INCREASING CEP PROJECT FROM DOLS 24.5 MILLION TO DOLS 30 MILLION AND EDUCATION PROJECT FROM DOLS 8.0 MILLION TO DOLS 14.3 MILLION. WE UNDERSTAND THESE PROJECTS AS WELL AS THE HEALTH PROJECT WILL BE FURTHER AMENDED AS APPROPRIATE IN FY 89 AFTER PROJECT ASSESSMENTS AND REDESIGNS. ASSUME NO PACD EXTENSIONS ARE REQUIRED AT THIS POINT SINCE CURRENT PACD FOR BOTH EDUCATION AND CEP PROJECTS IS AUGUST 1989. ADVISE IF THIS IS INCORRECT.

2. WE CONCUR IN PRINCIPLE WITH AID/REP'S USE OF QUOTE NOTWITHSTANDING UNQUOTE AUTHORITY AS BASIS FOR CONTINUATION OF EXISTING CONTRACTS ON A NON-COMPETITIVE BASIS FOR THE HEALTH, EDUCATION, COMMODITIES AND AGRICULTURE PROJECTS. CLEARLY IT WOULD BE DISRUPTIVE TO

THE PROGRAM TO ENTER INTO A COMPETITIVE PROCESS TO CARRY OUT WORK WHICH IS IN MID-STREAM.

3. IN THE CASE OF THE AMEG CONTRACT FOR COMMODITIES, HOWEVER, WE BELIEVE THAT EXTENSION SHOULD BE LIMITED TO AN ADDITIONAL SIX MONTHS, GIVEN LACK OF AN AGREED OVERHEAD RATE AND PROBLEMS WITH ACCOUNTING AND PROCUREMENT SYSTEMS WHICH HAVE BEEN DISCUSSED WITH O/AID/REP BY JIM MURPHY (SER/PPE). IT IS IN THIS CONTEXT THAT WE ARE ALSO CONCERNED ABOUT PROGRAM'S DEPENDENCE ON THIS SINGLE CONTRACTOR FOR WIDER RANGE OF PROCUREMENT SERVICES. WE BELIEVE THE MISSION SHOULD SEEK TO PUT IN PLACE A SECOND, ALTERNATIVE SOURCE OF SERVICES TO REDUCE THIS DEPENDENCY. WE PLAN TO DISCUSS THIS ISSUE DURING REVIEW OF THE PROPOSED VEHICLE MAINTENANCE FACILITY. TERRY MCMAHON IS ALSO PREPARED TO DISCUSS THIS ISSUE FURTHER DURING UPCOMING TDY

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4. WOULD APPRECIATE BEING ADVISED OF PLANNED AMOUNTS OF  
CONTRACT AMENDMENTS AND PERIOD OF EXTENSION. RESULT?

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